



ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

40

June 14, 2016

LORI GLASGOW
EXECUTIVE OFFICER

Los Angeles County
Board of Supervisors

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First District

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Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

June 14, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**REQUEST APPROVAL TO DELEGATE AUTHORITY TO AMEND
AGREEMENT H-705407 WITH CERNER CORPORATION AND SOLE
SOURCE AGREEMENT H-705792 WITH GARTNER, INC.
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X)
APPROVE WITH MODIFICATION () DISAPPROVE ()**

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*

SUBJECT

Approval of delegated authority to the Director of Health Services to amend the Agreements with: Cerner Corporation for the provision of an Electronic Health Record System, also known as the Online Realtime Centralized Health Information Database, for the Department of Health Services to grant authority to make Agreement revisions related to Final Acceptance and Contract Sum reallocations, and obtain additional software and related implementation services, and professional services; and Gartner, Inc. for the provision of project oversight and quality assurance consulting services to support the planning and implementation of the Electronic Health Record System.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Health Services, or his designee, (Director) to amend Agreement H-705407 (Agreement) with Cerner Corporation (Cerner) for the provision of an Electronic Health Record (EHR)



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System, also known as the Online Realtime Centralized Health Information Database (ORCHID) with no increase in the maximum Contract Sum to: (a) grant the Director the right to amend the Agreement to revise and clarify the processes and requirements for "Final Acceptance" of ORCHID and the support terms and service levels applicable to ORCHID and (b) grant the Department of Health Services (DHS) the right to continually reallocate the maximum Contract Sum by removing the specific allocations approved by the Board on November 27, 2012; and (c) grant the Director the right to amend the Agreement to change the composition of ORCHID by adjusting specific items or features included in ORCHID in order to optimize the County's investment in ORCHID in furtherance of an integrated healthcare system, including the purchase of certain additional or replacement hardware; with each of the foregoing accomplished via Amendment, Change Notice, and/or Change Order, as applicable, subject to review and approval by County Counsel and the Chief Information Office (CIO), and with notification to the Board and Chief Executive Office (CEO).

2. Delegate authority to the Director, or his designee, to amend the Agreement to allow DHS to expand its purchase and use of Healthe Intent, Cerner's integrated population health platform for patient care, and allow the development of customized algorithms and registries to support clinical reporting across various subsets of DHS' patient population, and increase the maximum Contract Sum in an amount not to exceed \$31.26 million, including an increase of \$9 million in Pool Dollars, for associated professional services, software, maintenance, remote hosting and support, for five (5) years, in furtherance of the County's goal to meet opportunities provided by both the Affordable Care Act (ACA) and the new California 1115 Waiver—Medi-Cal 2020 (1115 Waiver); with the foregoing accomplished via Amendment, Change Notice, and/or Change Order, as applicable, subject to review and approval by County Counsel and CIO, and with notification to the Board and CEO.

3. Delegate authority to the Director, or his designee, to amend the Agreement to include the professional services that are necessary to assist DHS with its conversion from an all-inclusive billing and "Relative Value Unit" data capture system to an itemized billing and charge level capture system; provide DHS licenses for certain Cerner finance modules for patient and cost accounting; at no charge, and increase the maximum Contract sum in an amount not to exceed \$5.3 million for these professional services, with the foregoing accomplished via Amendment, Change Notice, and/or Change Order, as applicable, subject to review and approval by County Counsel and the CIO, and with notification to the Board and CEO.

4. Delegate authority to the Director, or his designee, to amend Sole Source Agreement H-705792 with Gartner, Inc. (Gartner) to change the statements of work for the provision of project oversight and quality assurance consulting services to support: (a) ORCHID Final Acceptance and close out activities; (b) ORCHID stabilization and operations support; (c) project monitoring and tracking for implementation of the Healthe Intent expansion and stabilization of ORCHID maintenance and operations; (d) Housing for Health's (HFH) implementation of the Client Track integrated case management system recently approved by the Board; and (e) project monitoring and tracking for the

expansion of ORCHID to the Department of Public Health (DPH) and increase the maximum Agreement Sum for contract year four (June 1, 2016 through May 31, 2017) by \$710,838 to \$1,978,100 for the additional work, subject to prior review and approval of the Amendment by County Counsel and CIO.

5. Delegate authority to the Director, or his designee, to amend Agreement H-705792 with Gartner to change the statements of work for additional consulting services, and increase the maximum Agreement Sum by no more than ten percent (10%) of the amended maximum Agreement Sum of \$1,978,100 for contract year four, which, if exercised, would not exceed \$197,810, subject to prior review and approval by County Counsel and CIO, and with notification to the Board and CEO.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Status of ORCHID Deployment

On March 1, 2016, the final "go-live" of ORCHID occurred at Rancho Los Amigos National Rehabilitation Center. The final "go-live" was the culmination of over five years of thoughtful planning and activity by DHS to transform its system of care. All of DHS is now delivering care on ORCHID, allowing DHS to function as a single integrated healthcare delivery network, which can reduce patient care variability, improve quality of care and patient outcomes, and reduce costs. In April 2016, an average ORCHID day included: 12,002 unique users; 85,574 orders; 1,415 emergency department and urgent care visits; and an average daily census of 1,199 occupied beds.

The benefits of ORCHID are demonstrable both with respect to patient care and technological advances. For example, with respect to patient care, ORCHID allows for embedded clinical decision support, such as duplicate therapy checking. Where a provider initiates a patient on Dilaudid (an opiate class medication), and if a second provider attempts to order Morphine (an opiate class medication), ORCHID alerts the second provider that the patient is already on an opiate class medication, guiding the second provider to not duplicate therapy or place the patient at risk for an overdose. There are many similar examples supporting the conclusion that ORCHID will likely result in safer, more effective and better care for everyone under DHS' care.

With respect to technology, DHS has evolved from six (6) siloed health record systems to a uniform, fully-integrated electronic health record system that is implemented consistently across care settings, with standardized workflow processes and a single, unified data structure. Two hundred eighty four (284) different applications across DHS facilities have been consolidated to approximately 50 applications, with more consolidation to come. In addition, ORCHID has transformed patient information management, giving providers access to seamless and real-time unified patient health records, promoting efficient and integrated health care delivery. For example, a patient transferred to the Harbor-UCLA Medical Center emergency department was cared for by emergency physicians using records from the patient's visit at Martin Luther King Jr. Outpatient Center (MLK OC), which had gone live the day before. Emergency physicians commented that for the first time, they did not have to repeat lab and radiology studies and that their care could build on the care delivered at MLK OC.

After "Go-Live"

As DHS has previously reported to the Board, the ORCHID implementation proved challenging and rigorous, requiring near constant management and leadership from all levels of DHS. With the completion of the last "go-live," ORCHID is now entering another important period of achieving final

acceptance pursuant to the terms of the Agreement, with DHS establishing effective policies and procedures for sustained support and maintenance over the life of ORCHID, as well as taking advantage of natural expansion opportunities available to the County.

In considering the recommendations in this letter, the following context for the items requested is important to bear in mind: (i) new laws (e.g. ACA) have ushered in the greatest changes in healthcare delivery and reimbursement that the United States healthcare system has ever experienced; (ii) technology is continually evolving, causing certain product decisions made five years ago to be overtaken by current and future events; (iii) DHS has experienced remarkable changes and growth necessitated by its healthcare leadership role in the community; and (iv) the establishment of the Health Agency (Agency) with a larger scope of responsibility has significantly impacted ORCHID's current and future functions. Nimbleness and flexibility in contracting, within Board-approved parameters, is essential in order for the Agency to be responsive to this changing environment and ensure the quality of patient care.

Recommendation #1: Agreement Adjustments

Approval of the first recommendation will provide DHS the flexibility needed in managing a system as complicated as ORCHID in a care setting as complicated as DHS, and primarily addresses the need to make necessary and limited changes to the Agreement that were not contemplated when the Agreement was initially approved in 2012. The recommended changes will not materially impact the original overall scope of the Agreement and will not increase the maximum Contract Sum.

Specifically, DHS is requesting approval to: (i) change the parameters of final acceptance to address certain deployment decisions made by DHS, including, but not limited to, activities that have not been completed due to mutual agreement by DHS and Cerner and/or determination by DHS to defer completion; (ii) change support requirements and service levels, so long as these changes taken as a whole do not materially diminish Cerner support being provided to County; and (iii) adjust specific allocations of the maximum Contract Sum originally approved by the Board, as DHS needs flexibility in managing its funds to address changing requirements in product and system needs.

Final Acceptance

DHS is currently in the process of reviewing all Agreement deliverables and ORCHID features to confirm compliance with the Agreement part of the final acceptance process. Final acceptance generally means acceptance of the work as completed, including correction of any errors known to exist. The implications of final acceptance as to ORCHID are tempered by ongoing express warranty and broad support provisions in the Agreement. Nonetheless, as an important milestone in the Agreement, DHS is now focused on working with Cerner to achieve final acceptance. The process has demonstrated that certain ORCHID deployment decisions are complicating the final acceptance process. In some cases, DHS previously determined that certain ORCHID capabilities were not on the critical path needed at each "go-live" or that DHS systems were not yet ready for a particular ORCHID item. In other cases, DHS determined that certain ORCHID capabilities were not needed by DHS at all. For example, with respect to the ORCHID mammography solution, County clinicians, with the agreement of the Director, determined that the ORCHID solution would not meet the County's needs, as well as alternate solutions given the volume of procedures performed at the County. In addition, certain features of ORCHID were not fully installed due to the unavailability of hardware and/or other software at DHS. It should be noted that none of the foregoing are unusual for projects that are as expansive and complicated as ORCHID, and in all cases, the decisions to forgo or change items were made to further the best interests of the County and its patients and were mutually agreed to by DHS and Cerner.

Support and Service Levels

With each "go-live," DHS' knowledge and experience with ORCHID has increased, and support and service level requirements in the Agreement require adjustment to meet additional or different needs and/or to better conform to the nature of the support organizations at DHS and Cerner. In response to this, the Agreement requires changes to address ongoing support and delivery, as informed by DHS' initial ORCHID operations experience. For example, the reporting needs of the County are varied in their complexity and criticality. Adjusting the service levels from the current single service level applicable to reports to an approach that better aligns with County needs is helpful to both the County and Cerner. Taken as a whole, the support and service level changes will not decrease or degrade the support being provided to DHS. Rather, the changes will be made to address DHS' experience with each facet of ORCHID, as well as changing industry standards.

Reallocating Contract Sum and Changing ORCHID Product Portfolio

The Request for Proposals (RFP) for ORCHID was developed in early 2011 and reflected EHR capabilities and was technology commercially available at the time. During the last five years, new and important capabilities have become available and certain capabilities have been rendered outdated. In addition, the Agreement as first approved by your Board was to be financed through the issuance of commercial paper, requiring a detailed budget and allocation of the maximum Contract Sum into three components: contract elements, additional EHR capabilities, and Pool Dollars. DHS was able to self-fund ORCHID and in conjunction with payment restructuring resulting from changes in each "go-live" date, the maximum Contract Sum allocations are now outdated. For example, the foregoing changes have resulted in a later start date for certain services (e.g. support, hosting) with the associated fees for such services commencing later than previously planned. In addition, DHS has determined that certain items previously designated as "Additional EHR Capabilities" (e.g. Enterprise Data Warehouse) which were subject to a specific allocation and additional Board approval, are not currently needed at DHS. Therefore, DHS is requesting authority during the term of the Agreement to move any unspent, previously allocated funds from contract elements and additional EHR capabilities into Pool Dollars. This would allow DHS to receive the full benefit of the previously approved maximum Contract Sum by allowing the expenditure of such Pool Dollars for optional work.

In addition, in order to take advantage of technological changes over the last four years, DHS also requires the ability to make changes to the ORCHID product portfolio. The foregoing authority will only be exercised within the overall parameters of the Agreement and with no change in the maximum Contract Sum. For example, to address DHS' expanding needs, available Pool Dollars may be newly allocated to buy more of the hardware items already included in the Agreement, subject to the pricing in the Agreement, as reasonably adjusted to address prices for new models of such hardware. This controlled process of readjusting both the maximum Contract Sum allocations and the ORCHID product portfolio will allow DHS to quickly respond to changing needs in furtherance of a responsive and complete system experience.

Recommendation #2: Healthe Intent

Approval of the second recommendation will allow DHS to amend the Agreement to purchase additional modules of Healthe Intent as part of ORCHID in response to the additional funding opportunities available to DHS under the new program called Public Hospital Redesign and Incentives in Medi-Cal (PRIME), regulatory changes, the successful implementation of ORCHID, and your Board's desire to provide patient care using a fully integrated system.

The new California 1115 Waiver presents DHS with the challenging, but important new program PRIME that is composed of 13 projects, each with 3–6 metrics for a total of 73 metrics. PRIME requires a greater need for discrete data on DHS' empaneled population for each metric, as well as a tool assisting clinicians in driving year-over-year improvement of each metric. Of this total, DHS believes 50% of the metrics are dependent on its ability to use Healthe Intent. In order to facilitate DHS' success with the 1115 Waiver, the PRIME metrics will be built into custom PRIME registries allowing clinicians to track performance of the applicable PRIME eligible members. By meeting the requirements of the 1115 Waiver, DHS could receive up to \$225 million annually from the State and Centers for Medicare & Medicaid Services.

It is important to recognize that Healthe Intent is a tool aiding in DHS' successful performance in meeting the PRIME metrics requirements for the 1115 Waiver, not the sole or complete solution. DHS will combine the successful use of this tool with the training, alignment, and coordination of personnel to successfully meet the PRIME Waiver requirements.

In addition to the County's need to meet the PRIME requirements, the ACA has significantly changed the health insurance opportunities for those previously uninsured. The portion of patients treated at DHS who are uninsured has dropped from 23% inpatient, 41% emergency department, 39% ambulatory prior to January 1, 2015 to 7% inpatient, 17% emergency department, and 12% ambulatory in December 2015. In addition, health coverage plans have shifted from traditional indemnity (fee-for-service) to managed care capitation where health plans pay providers directly for some or all of the costs of the applicable medical services. This payment is usually a fixed monthly per member rate, regardless of the services the covered member receives. Under this model, DHS is now at risk for 367,000 Medi-Cal assigned lives as of April 2016, where DHS receives a set amount per member per month.

In order for DHS to effectively deliver care under this model, DHS needs to improve its ability to manage the healthcare delivered to panels of members via improved empanelment processes, disease registries, and care management. The distinction between panels of members for which the County is at risk, as opposed to the risk of treating an individual patient is key, as the ACA is driving DHS to interact in a proactive manner with members in the hopes that these preventative interventions minimize the frequency, severity, and overall need for care thereby maximizing the health of each patient and the member population as a whole.

The ACA and the 1115 Waiver have now aligned such that DHS is looking to invest in the appropriate, evolving technology to address healthcare needs at a population level. The specific Healthe Intent services being acquired will enable Cerner to develop and support customized algorithms and registries to provide clinical reporting across multiple subsets of DHS' patient population. This allows clinicians to extend their view of care issues beyond individual patients to populations of similar patients and be alerted to outliers on a dashboard view integrated with ORCHID and advised on best practice protocols to address those outliers. For example, if a clinician is accountable for a panel of 1,200 members, where 300 have Diabetes Mellitus, and an established DHS metric for quality care of members with diabetes is to obtain a Hemoglobin-A1C every 180 days, Healthe Intent allows a clinician to rapidly identify the 50 members who currently do not meet this criteria and then engage these members to visit a DHS laboratory to have their Hemoglobin-A1C measured.

A longitudinal record is established through this process for individual members of the population that DHS is held accountable for, helping to improve outcomes and potentially lowering costs for health and care. Tightly integrated with ORCHID, Healthe Intent meets the County's goal to maintain one County-record for each County-served patient by repurposing patient data in ORCHID, allowing

clinicians a near seamless interaction between single patient care and whole population member management, including the ability to drill down directly into a member's medical record when a specific concern requires greater detail, and mitigating the risks to medical record integrity as information moves between Healthe Intent and ORCHID.

The requested funds for Healthe Intent are for five (5) years and include Pool Dollars to address the changing nature of this type of system expansion. As the healthcare marketplace is evolving quickly with many new entrants to the market, the competition is expected to drive prices down and DHS feels locking in prices and budgeting for longer than five (5) years would not benefit the County. With respect to the requested Pool Dollars, DHS requires Pool Dollars to address planned expansion of scope relating to the addition of metrics that have not yet been fully defined by the State of California and the option to purchase "Healthe Care," an additional solution of the Healthe Intent platform, that addresses DHS' needs to manage complex high risk and high cost patients.

Recommendation #3: First Phase of Billing Transformation

Approval of the third recommendation will enable DHS to transform its charging, billing, and data capture practices from an all-inclusive system to an itemized billing system.

The County is one of the few remaining health care organizations in the country that still uses an all-inclusive billing model. The benefits of converting to an itemized billing process are: (i) DHS patients will be provided with an itemized listing of all services and procedures they received during their hospital stay or visit along with the associated charges; (ii) DHS' ability to maximize revenue from commercial insurers and managed care plans will be enhanced because DHS will be able to substantiate the scope of services provided through an itemized bill of charges by specific procedure codes; (iii) Medi-Cal and Medicare cost reports will be prepared similar to all other acute care hospitals, which will improve analyses of cost comparability and other factors; and (iv) once the conversion from all-inclusive to itemized billing occurs, DHS will be able to implement a charge-based cost accounting system.

The itemized billing model is very different from the all-inclusive charge model currently used at DHS. Under the current model, a patient's bill contains very minimal information. For example, if an inpatient stay was three days in a medical/surgical ward, the bill would display only one line stating the ward location, the daily charge, number of days, and total charges. Under an itemized billing structure, every service, procedure, and any medical equipment received during the stay, along with the associated charge, would be listed. This represents a material change in how DHS captures data.

The billing transformation project is extremely labor-intensive and requires a high level of knowledge and familiarity with itemized billing systems. Because DHS has always been an all-inclusive biller, there is no in-house expertise to implement, maintain, and use an itemized billing system. Once the planning stages of ORCHID began, DHS had anticipated that expert assistance would be needed to implement an itemized billing system that would fully interface with ORCHID. Because of the high level of complexity involved, DHS thought it advisable to defer the billing system transformation until after the clinical modules of ORCHID were implemented. During the interim and in preparation for an itemized billing system, DHS developed an enterprise level charge master to standardize charges throughout DHS.

As the clinical workflows have now been developed and implemented and the enterprise charge master has been developed, DHS is now prepared to proceed with transforming its billing system to the industry standard of itemized billing. In addition, because ORCHID is designed for an itemized

billing environment, it is more labor intensive for DHS to continue providing all-inclusive billing and completing cost reports. It is vital that the conversion to itemized billing be initiated as soon as possible.

The first phase of the billing transformation project is extremely labor-intensive and involves Cerner and its subject matter expert subcontractors, who will be approved by DHS in accordance with the Agreement. The assistance provided to DHS under this amendment will require the contracted itemized billing experts to analyze thousands of County charge procedures and workflows and assist DHS with implementation of a new itemized billing process. In addition, DHS will be provided the software licenses necessary to implement or expand the patient and cost accounting solutions. While this first phase of the County's billing transformation project will not include implementation, hosting and support of the foregoing software, that software will be included in the library of software available to the County and allow the County to proceed with the next phase of the billing transformation project.

After successful completion of the first phase, DHS will return to the Board to request a further amendment to replace its current cost accounting and patient accounting systems with a fully integrated system. A fully integrated system will provide a bi-directional interface between the financial and clinical systems that ensures DHS' data is synchronized, comprehensive, and that revenues are maximized.

Recommendations #4 and #5: Gartner Agreement Amendment

Approval of the fourth recommendation will enable DHS to amend the current Agreement with Gartner to change the statements of work and increase the maximum Agreement Sum for additional specialized consulting services beyond what is set forth in the current Agreement. Pursuant to the Agreement, Gartner provides baseline and ongoing project risk assessment and reporting; ongoing quality control and quality assurance services to monitor compliance with the ORCHID project and Cerner Agreement requirements; and periodic quality assurance reviews of project status, key deliverables, and outcomes. Gartner is also providing consulting services to support the DPH's planning activities for expansion of ORCHID to DPH.

Pursuant to the recommended Amendment, Gartner will provide key consulting and additional support to DHS during the final ORCHID acceptance process and stabilization and operations support as ORCHID matures. In addition, with the expansion of the Healthe Intent platform, additional consulting services are necessary to expand the baseline and ongoing project risk assessment and reporting; and provide ongoing quality control and quality assurance services during the implementation of the additional Healthe Intent modules to monitor compliance with the new Cerner Agreement requirements.

The Board recently approved an Agreement with Client Track for an integrated case management system for HFH. Under the current consulting services Agreement, Gartner developed HFH's functional and technical requirements and provided significant assistance with the procurement and analysis for ORCHID/Client Track integration. Under the proposed Amendment, Gartner will provide project oversight services for the approximate seven to eight month implementation. With regards to additional consulting services to support DPH on the ORCHID expansion, Gartner will provide overall project monitoring, ongoing project risk assessments, support with project document preparation, review and provide feedback on project documents, and mentoring of DPH project staff to develop knowledge and process disciplines related to operations, project planning, and execution.

Gartner's third-party oversight, quality assurance, and capacity building services in the ORCHID

program have been a key element in the project's early and ongoing accomplishments. While it was initially understood that there would be a need for some capacity building services, the actual need identified has been greater than anticipated. Gartner's services are necessary to provide support as ORCHID matures into a stable maintenance and operations environment. Under this Agreement, there has been consistency of key Gartner personnel with unique skill sets which ensured continuity, and added to the success of ORCHID.

Approval of recommendation five will allow DHS to amend the Gartner Agreement to purchase additional consulting services by no more than 10% of the contract year four maximum Agreement Sum, which, if exercised, would not exceed \$197,810. Any such amendments would be reviewed and approved by County Counsel and CIO with notice to the Board and CEO.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1 - Operational Effectiveness/Fiscal Sustainability; and Goal 3 – Integrated Services Delivery of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The current Contract Sum for the Cerner Agreement is \$366,990,594. If approved, the actions set forth herein shall increase that Contract Sum to \$403,550,594.

The increase in the maximum Agreement Sum for the Gartner Agreement is \$710,838 and the new maximum Agreement Sum would be \$6,555,444 for the current four year contract term of May 14, 2013 through May 31, 2017.

Funding for the recommended actions is included in the Fiscal Year (FY) 2015-16 Adopted Budget and will be requested in future fiscal years as needed for both Agreements.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Cerner Agreement

The Cerner Agreement was as a result of a competitive solicitation. It was initially approved by the Board on November 27, 2012 and has been amended three times. Amendment Number 1, approved by your Board on December 13, 2013, allowed the Director to adjust "Go-Live" dates for up to 120 days across all clusters, with no change to the maximum contract sum. Amendment Number 2, approved by the Board on September 16, 2014, allowed DHS to expend Pool Dollars for the acquisition of Cerner's address verification and validation software and to permit DHS to access Pool Dollars prior to "Go-Live" for additional professional services and the purchase of new software licenses. Amendment Number 3, approved by your Board on May 19, 2015, allowed the Director to adjust "Go-Live" dates and addressed certain terms in subcontracts and license agreements related to ORCHID.

Gartner Agreement

On May 14, 2013, the Board approved a Sole Source Agreement with Gartner for the period May 14, 2013 through May 31, 2016 with a maximum Agreement sum of \$3,077,344 for that period, with two one-year options to extend the Agreement through May 31, 2018 and authority to increase the

maximum amount by \$837,262 for the period June 1, 2016 through May 31, 2017 and \$746,037 for the period June 1, 2017 through May 31, 2018. Subsequent Amendments to the Agreement and increases to the maximum Agreement Sum were approved by the Board for additional consulting services related to the ORCHID implementation, HFH case management system acquisition, and the DPH ORCHID expansion planning process.

Use of Outside Counsel

Because of the importance of this project, County Counsel continues to retain Foley & Lardner, LLP to work in conjunction with County Counsel to advise on implementation and contract issues. Additionally, the Office of County Counsel separately has submitted to the Board an attorney-client privileged communication which analyzes the actions undertaken herein. The CIO concurs with DHS' recommendation and that office's analysis is attached as Attachment A.

CONTRACTING PROCESS

The requested action includes amending the Cerner Agreement, which was originally awarded as a result of an extensive and untested competitive solicitation.

The Sole Source Gartner Agreement was awarded based on several factors, including the depth and breadth of the firm's experience on the ORCHID project's procurement and contracting process. Initially working under a competitively bid Information Technology Support Services Master Agreement (ITSSMA) Work Order, Gartner worked closely with DHS, County Counsel, and outside counsel, Foley and Lardner, LLP, to help lead the development of DHS' ORCHID strategy, structure of the project's governance process and the rigorous and highly structured procurement process. Gartner continued to partner with the County project team during the Cerner Agreement negotiations and, during that time, Gartner worked extensively with DHS staff in the development and oversight of the Cerner Agreement's Statements of Work, the completion of which is integral to ORCHID's success.

All of these factors uniquely situate the firm to support DHS during the design, build and implementation of the new system. DHS determined that it is not feasible to conduct a Request for Proposals (RFP) process to obtain additional consulting services as another firm would not bring the same experience to project and because the timeframe for Health Intent implementation necessitates service continuity. The recommended Amendment will increase services under the current Agreement.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will enable DHS to maintain a centralized, standardized, enterprise-wide EHR system which will ensure that patients who seek services at any location within DHS will receive consistent care, supported by ORCHID across the entire care continuum.

The Honorable Board of Supervisors

6/14/2016

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz".

Mitchell H. Katz, M.D.

Director

Reviewed by:

A handwritten signature in black ink, appearing to read "Peter Loo".

PETER LOO

Acting Chief Information Officer

MHK:kh

Enclosures

c: Chief Executive Office
Executive Office, Board of Supervisors
County Counsel



ACTING CHIEF INFORMATION OFFICER

Office of the CIO
CIO Analysis

Attachment A

NUMBER:

CA 16-10

DATE:

5/26/2016

SUBJECT:

**REQUEST APPROVAL TO DELEGATE AUTHORITY TO AMEND AGREEMENTS H-705407
WITH CERNER CORPORATION AND SOLE SOURCE AGREEMENT H-705792 WITH
GARTNER, INC.**

RECOMMENDATION:

☒ Approve ☐ Approve with Modification ☐ Disapprove

CONTRACT TYPE:

☐ New Contract ☐ Sole Source
☒ Amendment to Contract #: H-705407, H-705792 ☐ Other: Describe contract type.

CONTRACT COMPONENTS:

☒ Software ☐ Hardware
☐ Telecommunications ☒ Professional Services

SUMMARY:

Department Executive Sponsor: Mitchell H. Katz, M.D., Director, Department of Health Services

Description: Delegate authority to the Director of Health Services (DHS), or his designee, to amend Agreement H-705407 with Cerner Corporation (Cerner), to (i) revise "Final Acceptance" requirements; (ii) more flexibly manage the Agreement; (iii) purchase Population Health Management System (Healthe Intent) for an amount not to exceed \$31.61M (including \$9M in pool dollars), (iv) use \$5.35M in professional services for the itemized billing conversion, and (v) authorize DHS to increase Agreement H-705792 with Gartner for consulting services for ORCHID, Healthe Intent, ORCHID expansion to the Department of Public Health (DPH), Housing for Health (HFH) Case Management System project by \$710,838, and a contingency of \$197,810.

Contract Amount: \$36.61 million Funding Source: DHS Fiscal Year 2016-17 Recommended Budget

☒ Legislative or Regulatory Mandate ☐ Subvened/Grant Funded: N/A

**Strategic and
Business
Analysis**

PROJECT GOALS AND OBJECTIVES:

The proposed Amendment to the Cerner Agreement will:

- 1) Implement Healthe Intent which will generate potential increased revenues, as well as comply with the 1115 Waiver.
- 2) Enable DHS to analyze their processes (driven by 70 activity codes) to transform their Revenue Management Cycle to be based on itemized billing; and
- 3) Acquire additional consulting services with Gartner to provide project management and quality assurance services for ORCHID, Healthe Intent, DPH's implementation of ORCHID, and expansion of the HFH project.

BUSINESS DRIVERS:

The key business drivers for this project are to:

1. Improve patient care through the implementation of a centralized, standardized system (Healthe Intent) to ensure consistent patient care across various disease-related registries. This is targeted for empaneled patient population. Completion of the program called Public Hospital Redesign and Incentives in Medi-Cal (PRIME) under the 1115 Waiver will ensure DHS up to \$225M in incentive funding.
2. Improve revenue collection via itemized billing for delivered health care. Itemized billing will provide DHS the tools to deliver detailed costing of products and services that will lead to better billing revenues, increase commercial insurance payments, as well as have a positive impact on the budgeting process.
3. Provide ongoing third-party project oversight and usage of best-of-breed project management practices for ORCHID, Healthe Intent, ORCHID expansion for DPH; and HFH Case Management Solution.

PROJECT ORGANIZATION:

Drs. Anish Mahajan and Nina Park are the Executive Sponsors for the Healthe Intent project. The business leads are Drs. Jeffrey Guterman and Paul Fu; Dr. Robert Bart and Kevin Lynch are the IT leads.

Allan Wecker is the Executive Sponsor for Itemized billing implementation. Lily Wun-Nagaoka is the business lead and Kevin Lynch is the IT lead.

HFH business owner is Marc Trotz and the project lead is Cheri Todoroff.

PERFORMANCE METRICS:

For Healthe Intent, DHS will negotiate service levels and disaster recovery/business continuity protocols that are commensurate with the County's business requirements, including reporting obligations under the PRIME metrics.

STRATEGIC AND BUSINESS ALIGNMENT:

The project supports the following County Strategic Plan goals: Operational Effectiveness, Fiscal Sustainability, and Integrated Services Delivery.

PROJECT APPROACH:



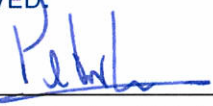
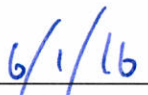
Healthe Intent has an estimated implementation timeline of eight to fourteen months, depending on the decision to utilize Care Manager.

The first phase of Billing Transformation project is estimated to be 18 months.

ALTERNATIVES ANALYZED:

The Amendments, if approved, will enable DHS to account for the Department's evolving clinical and financial business needs to meet new 1115 Waiver's framework and requirements. The professional services related to Itemized Billing transformation will enable DHS to modernize its financial processes, and potentially leverage ORCHID's clinically driven revenue cycle solutions.

<p>Technical Analysis</p>	<p>ANALYSIS OF PROPOSED IT SOLUTION:</p> <p>Healthe Intent: This model solution, integrated with ORCHID, will improve DHS' ability to manage panels of members via improved empanelment processes, disease registries, and care management. The PRIME metrics will be built to utilize disease registries to enable clinicians to track performance of the applicable PRIME 450k empaneled members.</p> <p>The module will also enable DHS to create and monitor a large number of 1115 Waiver measures (60-70) for the different disease registries.</p> <p>Software: The module is an integral part of the Cerner product set and will run on the same infrastructure.</p> <p>Database: A Hadoop Cluster is a special type of computational cluster designed specifically for storing and analyzing vast amounts of unstructured data in a distributed computing environment, specifically designed for speed.</p> <p>Interface: The Healthe Intent platform will interface with Cactus, ORCHID, Allscripts, Etreby, and relevant applications in LANES, LA Care, and HealthNet.</p> <p>Itemized Billing: Cerner's and its sub-contractor, Divergent, a consulting engagement firm, will enable DHS to transform from all-inclusive to itemized billing. This will allow DHS to implement cost accounting and patient accounting in future phases.</p> <p>The Amendment will include licenses for Cerner's revenue cycle solution (Cost Accounting and Patient Accounting) at no additional cost.</p>																																
<p>Financial Analysis</p>	<p>BUDGET:</p> <p>Cerner Agreement (H-705407) Costs:</p> <p>One-time costs for Healthe Intent:</p> <table> <tr> <td>Platform fees ^[1]</td> <td>\$1,600,000</td> </tr> <tr> <td>Implementation services</td> <td>\$6,500,000</td> </tr> <tr> <td>Customization services^[2]</td> <td>\$1,675,264</td> </tr> <tr> <td>Other services^[3]</td> <td>\$210,000</td> </tr> </table> <p>One-time costs for Itemized Billing Conversion Project:</p> <table> <tr> <td>Consulting services</td> <td>\$5,350,000</td> </tr> </table> <p>Total One-time costs: \$15,335,264</p> <p>Ongoing costs for Healthe Intent:^[4]</p> <table> <tr> <td>Maintenance, support and hosting services - Year 1</td> <td>\$2,909,500</td> </tr> <tr> <td>Maintenance, support and hosting services - Year 2</td> <td>\$2,860,900</td> </tr> <tr> <td>Maintenance, support and hosting services - Year 3</td> <td>\$2,813,272</td> </tr> <tr> <td>Maintenance, support and hosting services - Year 4</td> <td>\$2,766,597</td> </tr> <tr> <td>Maintenance, support and hosting services - Year 5</td> <td>\$2,720,855</td> </tr> </table> <p>Total ongoing costs: \$14,071,123</p> <p>Pool Dollars^[5] \$9,000,000</p> <p>Total Increase to Maximum Contract Sum^[6] \$36,611,387</p> <p>Gartner Agreement (H-705792) Costs:</p> <table> <tr> <td>One-time costs:</td> <td>\$119,500</td> </tr> <tr> <td>Year 1 costs</td> <td>\$1,237,200</td> </tr> <tr> <td>Year 2 costs</td> <td>\$1,448,805</td> </tr> <tr> <td>Year 3 costs</td> <td>\$1,771,839</td> </tr> <tr> <td>Year 4 costs^[7]</td> <td>\$1,978,100</td> </tr> <tr> <td>Optional Year 5 costs</td> <td>\$746,037</td> </tr> </table> <p>New Maximum Agreement Sum^[8] \$7,301,481</p>	Platform fees ^[1]	\$1,600,000	Implementation services	\$6,500,000	Customization services ^[2]	\$1,675,264	Other services ^[3]	\$210,000	Consulting services	\$5,350,000	Maintenance, support and hosting services - Year 1	\$2,909,500	Maintenance, support and hosting services - Year 2	\$2,860,900	Maintenance, support and hosting services - Year 3	\$2,813,272	Maintenance, support and hosting services - Year 4	\$2,766,597	Maintenance, support and hosting services - Year 5	\$2,720,855	One-time costs:	\$119,500	Year 1 costs	\$1,237,200	Year 2 costs	\$1,448,805	Year 3 costs	\$1,771,839	Year 4 costs ^[7]	\$1,978,100	Optional Year 5 costs	\$746,037
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	<p>Notes:</p> <ol style="list-style-type: none">1. Includes costs for establishing the County platform (e.g., hardware usage, operating software, pre-existing algorithm access, services, and storage setup).2. For HealtheRegistries and HealtheRecord.3. Includes costs for setting up data feeds from external data sources, including ORCHID, LANES, etc.4. For ongoing hosting, maintenance, and support services to maintain data feeds.5. May be used to fund implementation of Cerner's HealtheCare solution, address planned expansion to include additional metrics not yet defined by the State, and for other uses as described in the Agreement.6. Includes a \$1.795 million adjustment applied toward one-time and ongoing costs.7. Includes \$430,000 for the Department of Public Health Project integration with ORCHID.8. May be further amended to increase by 10% (\$197,810), as described under Recommendation No. 5 of the subject Board Letter.
Risk Analysis	<p>RISK MITIGATION:</p> <p>County CIO has identified several issues that could increase the risks of the projects:</p> <p>For Healthe Intent:</p> <ul style="list-style-type: none">▪ The service level is currently being defined and is dependent on evolving 1115 Waiver requirements.▪ Cerner does not offer application management services for Healthe Intent. As such, DHS will have to assume additional responsibilities to manage its use of Healthe Intent. <p>For Itemized billing:</p> <ul style="list-style-type: none">• DHS intent to use Cerner's Revenue Cycle will be determined at the conclusion of the proposed first phase of their Billing Transformation initiative. Additional software products may be required if DHS does not proceed with using Revenue Cycle. <p>The Chief Information Security Officer (CISO) will review final negotiated service level agreements to ensure compliance with County and HIPAA standards.</p>
	<p>PREPARED BY:</p> <p> _____ Sanmay Mukhopadhyay, Sr. Associate CIO</p> <p> _____ Date</p>
	<p>APPROVED:</p> <p> _____ Peter Loo, Acting Chief Information Officer</p> <p> _____ Date</p>